Royal Institute of International Affairs [illegible]

SYRIA 1951
LEBANON 1951

figure until February 1953. The cost of living has likewise risen considerably; during the war it rose about sixfold, reaching a peak in 1945. It then decreased steadily until the autumn of 1950, when the Korean boom in raw material prices brought fresh inflationary pressures into Lebanon through her growing commercial and entrepôt trade, and persisted until early 1952. This fresh rise in prices was also caused by the rise in food prices (imported and home grown) following the bad harvest of 1951. Although early in 1953 prices had not resumed their pre-Korean level, they had declined steadily.

The following figures showing the indices of wholesale prices and the cost of living illustrate the salient movements in prices (1948 = 100).

	1938	1945	1946	1947	1948	1949	1950	1951
Wholesale prices	21	179	174	172	98	100	110	118
Cost of living	21	183	174	168	98	101	107	114

(Sources: UNO, International Financial Statistics, September 1952.)

Budgetary expenditure and receipts have also increased considerably, partly resulting from the rise in prices but also from greater commitments. The main increase in expenditure has been for defence, for the Palestine conflict and its aftermath, and for education. The sources of revenue have undergone a marked change: whereas customs provided 60 per cent of the revenue in 1939, they now contribute only 23 per cent, and new indirect taxes on general consumption now provide the major share, about 30 per cent. A measure to increase direct taxation was introduced in September 1951 in the form of a tax on agricultural income based on a 'presumptive' assessment value at progressive rates of tax. As yet its full effect is not known. The budget estimates for 1952 were: expenditure £L104·03 million, and receipts £L104·16 million; further details are given in table 2 on p. 322 below. The 1953 budget was expected to be of the order of £L110 million.

The division between the Syrian and the Lebanese currencies became effective at the end of January 1948 and this introduced an agio between the two currencies. At first this favoured Lebanon, but in 1951 the Syrian pound was the higher and then, in 1952, the Lebanese pound returned to a premium of from 0·6 per cent to 0·7 per cent. The exchange rates of foreign currencies are given in table 3 on p. 323 below.

International Trade

In defiance of the gloomy prophecies of economists, Lebanon continues to flourish with an adverse trade balance, which in

Table 6

GOVERNMENT MONETARY EXPENDITURES AND RECEIPTS

(Years end 31 December; Syrian 1950 only 9 months ending 30 June; 1951 12 months)

	Syria (£S millions)				Lebanon (£L millions)			
	1950	1951*	1952*	1953*	1950	1951*	1952*	1953*
Expenditure								
Receipts								
Surplus or deficit								
Major Components of Receipts								
Direct taxes on income and wealth								
Direct taxes on land, premises, and livestock								
Customs†								
Other taxes								
Total tax receipts								
Other receipts								
Major Components of Expenditure								
Education								
Health								
Defence								
Other current expenditure								
Capital expenditure								

* Estimates. † Until 1952 Syria and Lebanon administered by Ottoman authorities; 1952 until early 1951, are average British £1 per cent for Syria and 22 per cent for Lebanon.

‡ Essential consumption taxes, fees and stamp duties, etc., (millions). § Includes receipts from public domain and State industrial enterprises.

(Sources: UN, Statistical Yearbook, 1952)

Four schools, situated in Beirut, are directly connected with the Ministry. These are the School of Arts and Crafts which includes a section on agriculture, the Normal School for Men, the Normal School for Women, and the National Conservatory of Music. The Directorate of Antiquities and the Directorate of the National Library complete the list of the institutions directly connected with the Ministry of National Education.

Educational Finance

The support of public education comes almost entirely from the central budget of the government. Table 71 shows the growth of the educational budget in selected years of the last quarter of a century. This budget, which includes that of the Directorate of Antiquities, has ranged between 5.6 to 6.6 percent of the total budget of the state. The influence of wartime inflation can be seen from the almost sevenfold jump in the educational budget between 1941 and 1945, while in the corresponding period the number of schools increased from 307 to 398 and the enrollment from 21,898 to 30,113.

It was not possible to obtain the salary scale for public-school teachers. A scale set down by a government decree to serve for private and foreign schools lists salaries at figures probably not very different from those paid in the public schools. The system of classifying teachers as instructors, assistant instructors, and teachers is almost identical with the public-school system. Instructors must be holders of university degrees, assistant instructors must have the *baccalauréat* or the Lebanese teaching certificate, and teachers must hold the Lebanese *brevet* or its equivalent. Monthly salaries for instructors range from £L75 to £L155 ($34 to $61), for assistant instructors from £L45 to £L85 ($20 to $39), and for teachers from £L35 to £L55 ($16 to $25). Salaries are paid for twelve months.

During World War II, cost-of-living allowances were added for government officials and teachers. These ranged from 250 percent for salaries that were £L40 a month or less, to 45 percent for the highest salaries paid by the state. In addition, married teachers received £L14 each for the wife and first child, and £L10 for each additional child up to five children.

A pension plan for government officials allows half the average salary for the last three years after thirty years of service. A person who has been in government service for thirty years and who has attained the age of fifty-five may ask to be retired or may be sent to retirement by the government after due investigation by a committee. Sixty-five is the latest age for retirement, though under special circumstances a person may be allowed to serve on a yearly basis up to the age of seventy.

TABLE [illegible]

Central or [illegible] Estimates, [illegible]*

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
						[illegible]	[illegible]
[illegible]							
Administration	£[illegible]	£[illegible]	£[illegible]	£[illegible]	£[illegible]	£[illegible]	[illegible]
Primary education	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Technical education	—	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Agricultural education	—	—	—	—	[illegible]	[illegible]	[illegible]
Fine arts education	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Teacher education	—	—	—	—	—	[illegible]	[illegible]
Antiquities	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
National library	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Concerts and awards	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total education budget	£[illegible]	£[illegible]	£[illegible]	£[illegible]	£[illegible]	£[illegible]	[illegible]
[illegible]							
Total state budget	£[illegible]	£[illegible]	£[illegible]	£[illegible]	£[illegible]	£[illegible]	
Percent allotted to education							
from state budget	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

*In [illegible] pounds (£L) are quoted [illegible] (£E).

[illegible]

[illegible] Government shall be obliged to carry out the Assembly's recommendations and submit the draft law within a period of four months.

(c) Procedure of the Assembly

[illegible] Art. 78 (as amended October 25, 1972). When a draft constitutional law is submitted to the Chamber, it shall, until a final vote is taken, confine itself to revision.

It may only discuss and vote on articles and questions specifically enumerated and defined in the draft submitted to it.

Art. 79 (as amended October 27th, 1972). When a draft constitutional law is submitted to the Chamber of Deputies, it may only be validly discussed and voted upon when a majority of two-thirds of the lawful members of the Chamber are present. Decisions shall be taken by a majority of two-thirds of the lawful members of the Assembly.

The President of the Republic shall be required to promulgate the constitutional law under the same conditions and in the same form as ordinary laws. He may request a further discussion of the law within the time-limit for promulgation. In that case also, the decision shall be taken by a two-thirds majority.

Part IV

The Various Powers

(a) [illegible]

[illegible] Art. 80 (as amended October 27th, 1972). The High Court shall consist of seven deputies elected by the Chamber of Deputies and of the eight highest Lebanese magistrates in order of rank or, should their rank be equal, in order of seniority, under the presidency of the magistrate of highest rank.

The sentences of the High Court shall be rendered by a majority of six votes. The procedure to be followed by this Court shall be determined by a law.

(b) [illegible]

[illegible] Art. 81. (as amended January 17th, 1947). Taxes shall be established for purposes of common utility. Taxes may only be levied in the Lebanese Republic in accordance with a uniform law which shall apply to the whole territory without exception.

[illegible] Service S-4 (no date)[illegible] MS Middle East
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Art. 80. No tax may be modified or removed except by virtue of a law.

Art. 81. Each year at the beginning of the October session the Government shall submit to the Chamber of Deputies, for examination and approval, the general budget estimates of State revenue and expenditure for the following year. The budget shall be voted upon article by article.*

Art. 82 (*as amended October 1926, 1927*). During the discussion of the budget and draft laws involving the opening of supplementary or extraordinary credits, the Chamber may not increase the credits proposed in the budget estimates or above-mentioned draft laws, either by amendment or by means of an independent proposal. The Assembly may, however, adopt laws involving further expenditure after the close of this discussion.

Art. 83 (*as amended October 1926, 1927, and January 10, 1927*). No extraordinary credit may be opened except by a special law.

Nevertheless, should unforeseen circumstances arise making urgent expenditure necessary, the President of the Republic may, by Decree adopted with the approval of the Cabinet, open extraordinary or supplementary credits or effect any transfers of credits. These credits may not exceed 15,000 pounds per item. The measures thus decreed shall be submitted to the Chamber for ratification at the first ensuing session.

Art. 84 (*as amended October 1926, 1927*). If the Chamber of Deputies has not given a final decision on the budget estimates before the expiry of the session devoted to the examination of the budget, the President of the Republic shall convene an extraordinary session to terminate at the end of January for the purpose of continuing the discussion on the budget. If at the end of this extraordinary session the budget has not been finally voted, the President of the Republic may, by a Decree adopted with the approval of the Cabinet, give effect to the budget estimates in the form in which they were submitted to the Chamber.

* The word "valeur" arises in the form of [illegible] such as Department of Defence, Department of Finance etc. (Information through the courtesy of Professor M. S. Ghazzaly, Beirut.)—Ed.

57:Davis S-4 (no date) 1953 ME Middle East
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642 The President may not exercise this right unless the budget
643 estimates were submitted to the Chamber at least fifteen days before the commencement of the session.

During this extraordinary session, imposts, contributions, taxes, duties and other revenues shall continue to be collected as hitherto.

The expenditure for the month of January shall be based on the "provisional twelfth" of the expenditure for the previous financial year, plus the permanent additional and supplementary credits and minus the permanent reductions.

Art. 87 (as amended October 17th, 1927). The final accounts of the financial administration for the closed financial years shall be submitted to the Chamber and approved before the promulgation of the budget for the second financial year after that to which the accounts refer.

A special law shall be issued to govern the formation of an Accounting Department.*

Art. 88. No public loan or obligation involving a charge upon public funds may be contracted except by virtue of a law.

Art. 89. No concession for the exploitation of natural resources of the country or a service of public utility and no monopoly may be granted except by virtue of a law and for a limited period.

Part V

642 643 PROVISIONS RELATIVE TO THE MANDATORY POWER AND THE LEAGUE OF NATIONS

Arts. 90 to 92 (abrogated November 9, 1943).
Art. 93 (abrogated January 01, 1947).
Art. 94 (abrogated November 9, 1943).

Part VI

PENAL AND TRANSITORY PROVISIONS

643 *Art. 95 (as amended November 9, 1943).* As a provisional measure and for the sake of justice and concord, the communities shall be equitably represented in public employment and in the composition of the Cabinet, such measure, however, not to cause prejudice to the general welfare of the State.

* According to information received through the courtesy of Professor M. S. Giacaman, Beirut, this paragraph, which is not in the text published by the League of Nations, appears in the original Arabic text.—Ed.

ne peut être en opposition avec les obligations contractées par la France en ce qui concerne la Syrie, particulièrement envers la Société des Nations. Cette réserve s'applique spécialement aux articles qui touchent au maintien de l'ordre, de la sécurité et de la défense du pays, et à ceux qui intéressent les relations extérieures. Pendant la durée des obligations internationales de la France, en ce qui concerne la Syrie, les dispositions de la présente Constitution qui seraient de nature à les affecter ne seront pas applicables que dans les conditions déterminées par accord à intervenir entre les gouvernements français et syrien. En conséquence, les lois prévues par les articles de la présente Constitution dont l'application pourrait entraver ses responsabilités ne seront discutées et promulguées conformément à la présente Constitution qu'en exécution de cet accord. Les décisions d'ordre législatif et réglementaire prises par les représentants du gouvernement français ne pourront être modifiées qu'après entente entre les deux gouvernements."

Secondly, there were a number of important administrative services which were wholly removed from the control of the Syrian and Lebanese Governments and placed under direct supervision of the Delegate-General, who administered them through a staff which was largely French in the upper ranks, but Syrian and Lebanese in the lower. They included:

i. The "Common Interests", a number of departments dealing with matters of concern to both Syria and Lebanon. The most important of them were the customs administration, the control of concessionary companies and certain economic, financial and social services. They were financed out of the "Funds of Common Interest", consisting almost entirely of customs receipts, which were sufficient not only to pay for these services but to provide a large surplus which was in principle divided between the two Governments.

ii. The "Troupes Spéciales", the local Syrian and Lebanese levies. Some thousands strong, they had been in existence throughout the Mandatory period as an integral part of the French Army of the Levant, and until the outbreak of war they had been wholly paid for out of the "Funds of Common Interest". They now formed part of the French territorial command.

iii. The "Direct Collection", the organisation responsible for

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the social services of technical assistance - whether the latter were effected under Point IV or from United Nations funds. In consistently accord with the Department the possibility of a concurrent development of community social welfare with the help of United Nations technical assistance, e.g., by instituting appropriate leadership courses and education in citizenship. Further consideration of the suggestion was practical but there are reasons which militate against progress on these lines. First, we understand that there is a general impression in informed circles that assistance to governments, whether for social or economic projects, is or may be made available under Point IV under more favourable conditions than those applying to United Nations technical assistance (this specifically refers to the proportion of local expenditure to be borne by the recipient government). Second, Afghanistan does not wish to the local press stressed the view as widely held in the country that the provision of financial aid, chiefly in the form of capital, is just as essential, perhaps more essential, than foreign technique. Third, the circumstance unfavorable to an underdeveloped country of too many schemes of economic and social development, all of which are unfortunately desirable but which, cumulatively, are beyond the present budgetary and administrative resources of the country are only places an unbearable load upon the machinery of government. In any case to separate for capital expenditure as a main study reason to get. It would be impossible if any priority of requests for technical assistance that had to take place as a result of a tactful recognition of this truth were to operate to the prejudice of fully considered schemes of community welfare development, particularly where such schemes had been designed as demonstration projects to become self-supporting in the near future.

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(2) Experienced sociologists, working mainly with foreign agencies operating in the Lebanon and other Middle East countries, have urged the desirability under present conditions of establishing with outside financial aid and, if necessary, under foreign direction, pure community welfare demonstration centres. In these centres, as they see the position, the whole process of self-help in meeting the economic, health, educational and social needs of a representative region (rural, community might be demonstrated and gradually fulfilled. Whatever practicable, and as soon as practice, local officials (administrators, doctors, teachers, agronomists and other technicians) would be encouraged to participate in the organization and management of the demonstration centre, even to the extent (it was suggested by one authority consulted) of requesting the part-time services of these officials by supplementing the pay which they already receive from public funds. Leaders of the local community would, as the work progressed, be encouraged to form management committees for the various activities. In this way, it was thought practicable, on the basis of actual experience, to arouse interest in, and create a wider public support for the objects by the government of the moment, leading, in course of time, to the establishment under official auspices of other centres and, ultimately, to a self-supporting basis. As more later to see the term, paragraphs (3)-(5) the practical application of this philosophy on a modest scale under the auspices of the New York Foundation.

(3) We, however, believe technical assistance to specialists to governments only, and should be given only on their request. It is not easy to devise a means whereby plans or demonstration projects of private agencies for developing community welfare and allegiance loss, self-government can be brought within the scope of the present system. Further, it would manifestly be improper to invite the organizations to submit any privately sponsored applications for assistance in establishing semi-private community welfare centres to be assisted until the Government has itself supported such a request through official channels. We understand, however, that in the operation various foreign voluntary agencies are able to give a measure of assistance for the purpose.

ent farmers. Large holdings, owned by absentee landlords and worked according to the share-tenancy system, predominate, however, in the Bekaa valley, in the 'Akkar plain and in the province of South Lebanon.

A diversity of crops is grown in different parts of the country. The subtropical climate of the coastal plains permits the cultivation of citrus fruits and bananas, while olives, grapes, apricots and other fruits flourish on the terraced mountain slopes. Cereals and legumes are the chief crops of the Bekaa, but cotton, tobacco and numerous types of vegetables are also produced. Large numbers of goats, as well as sheep, cattle and other livestock, are raised, primarily as food or draft animals. Sericulture is carried on in many mountain villages, but the competition of artificial silks has contributed to its decline within recent years. The government encourages the expansion of agriculture through the promotion of co-operative credit and marketing facilities. There are no experimental farms or research stations, but instruction in modern methods of farming is provided by the agricultural division of the government's vocational school in Beirut and by the American University.

The mineral resources of the region are negligible. Small deposits of lignite, located in the hills above Beirut and Tripoli, are worked intermittently. Salt is also extracted in evaporating beds along the coast north of Beirut. The development of modern industry received some impetus during the war years 1941-45, but is handicapped by the scarcity of raw materials and the limitations of the internal market. Numerous small plants exist for the processing of consumer goods, including the manufacture of textiles, cement, soaps, distilled liquors, leather goods, cigarettes, olive oil and various foodstuffs. The Iraq Petroleum Company has recently established a refinery at Tripoli, the terminus of its pipeline from the oil fields in the Kirkuk region. The chief exports are olives and olive oil, textiles, silk, fruits and petroleum products.

p. 112(a)

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Most of the expansion described above has been carried out by private initiative but, in addition to providing irrigation, the State has assisted agriculture in many ways. Of these the most important has been the provision of credit. The Société de Crédit agricole et industriel, founded in 1936 by the Banque de Syrie et du Liban on the request of the Government, has, in recent years, advanced loans totalling LL 6 to 7 million per annum, the greater part of which is guaranteed by the Government. In 1954, the Government established an agricultural and industrial bank, with a capital of LL 30 million; it is hoped that this bank will be able to meet a larger proportion of Lebanon's agricultural credit requirements. 1/ Another service has been the distribution of imported seed wheat to farmers: in 1953, 100 tons were distributed and the 1954/55 programme provided for 1,700 tons, at a cost of LL 450,000, as well as chemical fertilizers, at a cost of LL 800,000. 2/ Other projects undertaken by the Government include grain storage and citrus packing facilities, which are being established with United States aid, and experimental stations set up with the aid of the United States and French Governments. In 1953, the investment works of agriculture over the following five years were put at LL 125 million, of which LL 50 million were for irrigation, LL 35 million for credit, LL 5 million for the mechanization of certain cultivation, LL 10 million for the building of silos for grain and LL 25 million for transport and for processing industries. 3/ Some of this investment - for example, mechanization and investment in transport and industry - is being carried out by private enterprise and a considerable part of the balance by the Government (see below).

Industry

In the immediate post-war years, Lebanese industry was favoured by the scarcity of imported consumer goods, but this advantage was offset by the great shortage of raw materials and the difficulty of renewing equipment or obtaining spare parts. Moreover, military orders, which had absorbed a large fraction of industrial output, declined to insignificant proportions. In the course of 1946 and 1947, foreign competition increased sharply. This was met by a considerable rise in investment, especially in the food processing and textile industries, and a renewal of equipment. The increase in productive capacity resulted in greater output in 1948 and 1949. In 1950, many Lebanese industries were severely hit by the ending of the customs union with Syria. Industry in general, however, was aided by the war in Korea, which reduced foreign competition, and subsequently by greater skill in the Lebanese market, facilitated by increased tariff

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1/ Agricultural indebtedness is believed to total between LL 70 and LL 80 million the bulk of which was obtained from money-lenders and small private banks at a rate of interest around 30 per cent. "Proceedings of the Agricultural Credit Conference", Beirut, 12-15 October 1953.

2/ Lebanese Delegation to Fourth Regional Conference of the Food and Agriculture Organization of the United Nations, Beirut, 13-17 September 1954, "Improvement the principle statistics of agriculture".

3/ Four Years, op. cit.

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457 Until recently, it is probable that the profits realized abroad by foreign companies operating in Lebanon outweighed income accruing from Lebanese foreign investments and businesses operating outside the country. During and after the Second World War, however, both the latter increased substantially, and Lebanon is now a net creditor on investment account. Transfers of profits out of Lebanon were estimated at LL 11.0 million in 1951 and LL 9.0 million in 1952, while incomes accruing from foreign securities and businesses, local bank abroad and businesses operating outside Lebanon, have been put at approximately LL 15.0 million and LL 25.0 million, respectively. 1/ Little information is available regarding capital movements. It is known that in 1949, owing to unsettled political conditions, an appreciable amount of Syrian capital entered Lebanon and that a certain amount was brought in by Palestinian Arab refugees. During the past few years, a considerable amount of capital from Kuwait and Saudi Arabia has also been invested in real estate in Lebanon, or been deposited in Lebanese banks. In 1952, there was an influx of capital from Egypt, which partly accounts for the large figure shown in table 47. In September 1951, Lebanon repurchased $500,000 worth of its currency from the International Monetary Fund. There has been some Lebanese investment in Syria.

Monetary control and public finance

453 The increase in production, and still more in commercial and financial activity, noted above as accompanied by a development of the banking system. The number of banks operating in Beirut rose from seven in 1947 to twenty-one in 1950; the properties of Lebanese banks increased more than correspondingly, but they still play a minor role in the financial structure. 2/ There has been a large increase in bank deposits, from LL 27.3 million in 1948 to LL 227.1 million in 1951 and, after a decline to LL 180.8 million in 1953, LL 300.2 million in 1954. This has led to a marked reduction in interest rates. 3/ A significant proportion of the increase in deposits represents foreign capital which viewed Lebanon either for greater security or, more recently, for short-term investment in commercial and financial transactions, including the transit of gold bullion; moreover, in recent years, several foreign firms have opted freedom to Lebanon or agreed to it their main agencies for the Middle East.

1/ Ibid., pages 77 & 78.

2/ Foreign banks which have recently opened branches in Lebanon include, in addition to Bar Paris, Egyptian and Palestinian establishments operating in 1947 Belgian, British, Iraqi, Italian, Netherlands and Swiss services have (Le Commerce du Levant, 7 July 1954). In April 1954, a law was passed supervising the British financial market. This required decisions on gold, trade of foreign exchange to register as members of the Beirut Exchange or to comply with all transactions within the Exchange, under rules to be drawn up by an administrative committee chosen by them (Le Commerce du Levant, 10 May 1954).

3/ The market discount rate fell from 5.5 per cent in 1947 to 5.0 in 1948, 4.25 in 1953 and .50 at the end of September 1954 (International Monetary Fund, International Financial Statistics).

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The post-war trend of prices was downward. Between 1945 and 1950 prices fell rapidly from the high level they had reached at the end of the war. The outbreak of hostilities in Korea temporarily reversed this trend, but, owing to tighter credit and control of inventories and duties on imports of stock, by the summer of 1951 the downward movement was resumed until 1954, when the index of wholesale prices levelled off. The main factor bringing down prices seems to have been the large deficit in the balance of trade which, during the first half of the period under review, was probably not covered by invisibles. 1/ Another factor was the budget surpluses, which from 1945 to 1950 inclusive, totalled LL 127.5 million. After 1950, however, the improvement in the balance of payments, together with government purchases of gold in the local market, which were intended both to increase the owned of the note issue and to counter the deflationary trend, checked the downward movement, and hoarding of goods, which had accompanied the rise in prices in 1950 and 1951, probably acted in the opposite direction in 1952 and 1953. In 1953, there was a trade recession and an increase in unemployment. This was probably overcome by an easier credit policy combined with an increase in international transactions.

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Currency and foreign exchange

During the Second World War, Lebanon's currency and foreign exchange transactions were regulated by various emergency laws by the Mandatory authorities, as a result of which over 95 per cent of cover of the notes issued by the Banque de Syrie et du Liban was of the sterling held by it open to credit of three kinds and banks. These three holdings in LBA were guaranteed against any depreciation of the franc in terms of sterling. In the post-war period, the inability of France to supply more than a small fraction of the non-franc foreign exchange requirements of Lebanon and Syria, together with the depreciation of the guarantee of the sterling value of their franc balances, 2/ led to negotiations which resulted in the Franco-Lebanese agreement of 1948. This provided for the establishment, for ten years, of the guarantee by the French Government of the sterling value of the franc holdings of the Banque de Syrie et du Liban and for the blocking of these holdings until 1958. The balance of Lebanon's franc assets was either paid to European countries or made available for purchases in France.

1/ In 1945, the deficit on current account of Lebanon and Syria was estimated by the Banque de Syrie et du Liban at LL 102 million and it seems probable that there was also a sizable deficit in 1946. During the years 1947 to 1949, Lebanon's exchange reserves declined steadily; then, in 1950 total gold and foreign exchange reserves, both public and private, fell by LL 65 million.

2/ Jacques Rueff, "Les causes et remèdes du déficit de la balance des paiements", Revue d'économie politique, 1947 (Paris). The French Government did, however, pay to Lebanon and Syria the difference resulting from the depreciation of the franc in December 1947.

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[illegible] to 1955. In 1956, after having appreciated rapidly, the pound remained stable around 3.00 to the dollar, partly owing to sales of foreign exchange by the Exchange Stabilization Fund, which feared that further appreciation might impair the country's competitive position. It seems clear, however, that an systematic attempt to bring about stabilization the exchange rate in view of the small size of Lebanon's foreign reserves 1/ and the great volume of exchange operations that take place in the private market.

Public Finance

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The war-time rise in incomes and prices led to an increase in both revenue and expenditure, a rate of increase which was, however, below that of the wholesale price index. Revenue rose from LL 61.1 million in 1939 to LL 99.8 million in 1945 and expenditure from LL 5.8 to LL 94.8 million. In every year, there was a surplus, the total for 1939 to 1945, inclusive, being LL 22.5 million. In the post-war period, there was a sharp rise in both revenue and expenditure. Except in 1950, every budget showed a surplus, the total for 1946 to 1955, inclusive, being LL 127.3 million. At the end of 1955, the Reserve Fund stood at LL 62.3 million. 2/ There is no internal or external debt.

Important tax reforms were carried out in the war and post-war periods. A progressive general income tax was introduced in 1944, which was abolished in 1949; incomes from commercial and industrial activities are taxed at from 1 to 30 per cent, incomes from non-commercial activities at from 4 to 37 per cent and salaries at from 2 to 10 per cent. In 1950, a tax on agricultural income was introduced, with rates ranging from 2 to 35 per cent; it will take effect in 1955. As table 10 shows, the reforms have appreciably increased the amount raised through direct taxes, but these taxes still play a minor part in government revenue; customs and excise duties account for about one-half of revenue and the addition of other indirect taxes brings the share to nearly two-thirds.

On the expenditure side, the most striking increase in the post-war period was in education, expenditure for which rose from 8.1 per cent of the total in 1946 to 12.6 in the 1955 estimates; this is due to the active part played by the Government in recent years in implementing the 1951 proclamation

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1/ The gold and foreign exchange reserves held by the Government and the bank of issue fell from $91.1 million at the end of 1947 to $58.3 million at the end of 1950. Thereafter, there was a slow rise to $61.2 million at the end of 1953 and a more rapid increase to $71.0 million at the end of October 1955; of the latter $40.8 million consisted of gold, $11.4 million of French francs and $8.8 million of other foreign exchange. These reserves included the cover of the note issue, which consisted for practically all the gold (Intermediate Monetary Fund, International Financial Statistics).

2/ Ministry of Finance, Budget Synopsis for 1955 (Beirut).

Table 45. Lebanon: Principal Items in Government Budgets, 1959 and 1963 to 1970
(Millions of Lebanese pounds)

Item	1959	1963	1964	1965	1966	1967	1968 a/	1969 a/
Revenue:								
Direct taxes on income and wealth b/	1.00	5.73	10.00	10.50	10.96	11.00	10.00	--
Taxes on land and estates		1.00	1.00	1.00	1.00	0.00	0.00	--
Registration duties c/	4.70	6.41	7.00	7.00	8.00	10.00	10.00	--
Customs duties		25.50	26.00	30.00	30.00	36.00	36.00	36.00
Other indirect taxes d/		25.00	30.00	35.00	37.00	40.00	30.00	--
Other receipts	1.00	6.00	5.00	7.00	9.00	12.00	10.00	--
Total	5.00	70.00	80.00	90.00	105.00	109.00	110.00	105.00
Expenditure:								
Education	0.50	5.00	6.00	7.00	8.00	9.00	10.00	10.00
Health	2.00	3.00	4.00	4.00	5.00	6.00	5.00	4.00
Defense	--	15.00	17.00	19.00	22.00	23.00	25.00	25.00
Public works e/	2.00	17.00	17.00	20.00	22.00	24.00	25.00	25.00
Other expenditures	4.00	20.00	26.00	30.00	40.00	42.00	50.00	45.00
Total	8.00	60.00	80.00	80.00	97.00	104.00	115.00	105.00
Balance	3.00	8.00	3.00	-4.00	15.00	15.00	-5.00	0

Source: United Nations Bureau of Economic Affairs, Travel Branch.

a/ Estimates.

b/ Taxes on wealth and income from juridical persons, tax on buildings and other taxes.

c/ Registration duties include registration fees, stamp duties and judicial and notary fees.

d/ Other indirect taxes include general consumption taxes, fiscal monopoly and other taxes.

e/ Including expenditures of the ministry of Public Works and, from 1965, public works appropriations of the ministry of Agriculture.

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system of private schools. The second agent is Indian Railways, but the share fell from [illegible] per cent of total expenditure in 1951 to [illegible] in 1961. Electricity, although expenditure on public works increased, rather more than doubled from [illegible] to [illegible] per cent.

[illegible]

Since the period 1951 to 1961, inclusive, government expenditure on development totalled [illegible] million. Of this [illegible] million was spent through the ordinary budget and [illegible] million through the Development Rente Fund. A separate breakdown from the budget estimates of the net and gross cost,

[illegible]

Until the creation of the Bank of Economic Planning and Development, in February 1972, all development projects were studied and recorded by the government departments concerned, principally the Ministry of Public Works and the Ministry of Agriculture. The Bank, which consists of five executive and seven consultant members, is charged with assessing the country's economic resources and possibilities, establishing a general development plan and suggesting procedures for financing it. Questions on, however, delegated to the departments concerned. [1]

[illegible]

[illegible]
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Expenditure on irrigation and drainage from both the ordinary budget and the development fund totalled about [illegible] million in the period 1951 to 1961. This expenditure has resulted in the irrigation of [illegible] hectares, an increase of [illegible] per cent over the previously irrigated area. An additional [illegible] hectares has been irrigated by a private concessionaire. The projects carried out were both new and [illegible].

The principal irrigation projects being carried out or under consideration are the following: Sudeni, Adari, Tsaramanda, Ambara and Ankadi projects, which when finished will irrigate [illegible] hectares of land. The [illegible] power projects are the Tsaramanda, Anaphes, Bilal Ombra and Ankadi projects. The Sudeni project, on the Lokele River, was begun in 1951 and will [illegible] irrigate [illegible] hectares. It is to be extended to another [illegible] hectares, at [illegible], when [illegible] new settlement will be [illegible]. [illegible] [illegible] [illegible]